

**SIOUX COUNTY, IOWA
Independent Auditors' Report
Financial Statements
And
Supplemental Information
Schedule of Findings and Questioned Costs
June 30, 2006**

SIOUX COUNTY, IOWA

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SIOUX COUNTY, IOWA

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SIOUX COUNTY, IOWA

County Officials

Name	Title	Term Expires
Mark Sybesma	Board of Supervisors	January, 2009
Vern Beernink	Board of Supervisors	January, 2009
Loren Bouma	Board of Supervisors	January, 2007
Stanley L. De Haan	Board of Supervisors	January, 2007
John Degen	Board of Supervisors	January, 2009
Lois Huitink	County Auditor	January, 2009
Robert Hagey	County Treasurer	January, 2007
Anita Van Bruggen	County Recorder	January, 2007
Dan Altena	County Sheriff	January, 2009
Melissa O'Rourke	County Attorney	January, 2007
Ross Simmelink	County Assessor	January, 2009



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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
Sioux County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of SIOUX COUNTY, IOWA (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the County. Our responsibility is to express opinions on the financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Sioux County, Iowa as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2006 on our consideration of Sioux County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. The accompanying combining non-major fund financial statements, and the Schedule of Expenditures of Federal Awards which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Langsam, P.C.
Certified Public Accountants

Le Mars, Iowa
October 25, 2006

SIoux COUNTY, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

SIoux COUNTY PROVIDES THIS MANAGEMENT'S DISCUSSION AND ANALYSIS OF ITS FINANCIAL STATEMENTS. THIS NARRATIVE OVERVIEW AND ANALYSIS OF THE FINANCIAL ACTIVITIES IS FOR THE FISCAL YEAR ENDED JUNE 30, 2006. WE ENCOURAGE READERS TO CONSIDER THIS INFORMATION IN CONJUNCTION WITH THE COUNTY'S FINANCIAL STATEMENTS, WHICH FOLLOW.

2006 FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of FY06 by \$44,910,469 (net assets). Of this amount, \$11,865,890 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- Sioux County's total net assets increased by \$4,198,577 from FY05.
- As of the close of FY06, Sioux County governmental funds reported combined ending fund balances of \$12,235,673, an increase of \$1,141,660 in comparison with the prior year. Approximately 80% of this total amount, \$9,786,400, is available for spending at the County's discretion (unreserved fund balance).
- At the end of FY06, unreserved fund balance for the general fund was \$2,076,121, or 32% of total general fund expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The **Government-wide Financial Statements** consist of a statement of net assets and a statement of activities. These provide information about the activities of Sioux County as a whole and present an overall view of the County's finances.

The **Fund Financial Statements** tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Sioux

County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sioux County acts solely as an agent or custodian for the benefit of those outside of the government.

Notes to the Financial Statements provide more detailed data and explain some of the information in the financial statements.

Supplemental Information provides detailed information about the non-major special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

The **statement of net assets** presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, interest on long-term debt and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The **fund financial statements** provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County can establish other funds to help it control and manage money for particular purposes.

The county has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue funds such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The fiduciary funds required financial statements include a statement of fiduciary assets and liabilities.

- 3) A proprietary fund accounts for the County's partial funding of health insurance deductibles, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The proprietary fund required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

A summary reconciliation between the government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Sioux County's net assets for FY06 totaled \$44,910,469. This compares to FY05 at \$40,711,892. The analysis that follows focuses on the components of net assets for the governmental activities.

Net Assets of Governmental Activities

	2006	2005
Current and other assets	\$ 20,286,677	\$ 18,636,302
Capital assets	38,074,971	35,318,662
Total Assets	58,361,648	53,954,964

Long-term liabilities outstanding	4,970,000	5,210,000
Other liabilities	8,481,179	8,033,072
Total liabilities	13,451,179	13,243,072
Net assets:		
Invested in capital assets, net of related debt	32,864,971	29,883,662
Restricted	179,608	421,850
Unrestricted	11,865,890	10,406,380
Total net assets	\$ 44,910,469	\$ 40,711,892

An insignificant portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,865,890) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the year, the County is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The County's net assets increased by \$4,198,577 during the current year. This increase is attributable to the efficient operations of the activities of the County.

Governmental Activities – Governmental activities increased the County's net assets by \$4,198,577. Key elements of this increase are as follows:

Changes in Net Assets of Governmental Activities		
	2006	2005
Revenues:		
Program revenues:		
Charges for service and sales	\$ 1,560,943	\$ 1,481,406
Operating grants and contributions	5,883,354	5,499,963
Capital grants and contributions	3,760,948	1,196,280
General revenues:		
State Tax Credits	407,262	337,785
Local Option Sales Tax	1,084,692	936,424
Property tax	6,562,870	5,209,082
General intergovernmental revenues	37,104	33,896
Use of money and property	487,756	273,694
Other general revenues	208,673	105,334
Total revenues	19,993,602	15,073,864
Program expenses:		
Public safety and legal services	3,234,657	3,211,503
Physical health and social services	1,044,483	990,126
Mental health	2,260,298	2,174,631
County environment and education	743,239	625,111
Roads and transportation	6,003,265	5,002,135
Government services to residents	765,938	814,558

Administration or general government	1,465,145	1,483,304
Non-Program Services	29,257	25,432
Capital projects		40,829
Interest on long-term debt	248,743	257,617
Total expenses	15,795,025	14,625,246
Increase (decrease) in net assets	4,198,577	448,618
Net assets July 1	40,711,892	40,263,274
Net assets June 30	\$ 44,910,469	\$ 40,711,892

The following information was taken from the levy rates certified by the Iowa State Department of Revenue and Finance:

Sioux County increased property tax rates by 1.63066 per thousand dollars of taxable valuation in FY06.

The General Supplemental Fund levy was implemented for the first time in FY06. The General Supplemental Fund levy was .84870. The Rural Basic Fund levy was increased by .60459 from FY05.

The MH/DD levy was decreased by .02263 per thousand dollars of taxable valuation.

The Debt Service levy for the Public Safety Center was .20000 for FY06.

INDIVIDUAL MAJOR FUND ANALYSIS

As Sioux County completed the year, its governmental funds reported a combined fund balance of \$12,235,673.

The General Fund, as the operating fund of Sioux County, ended FY06 with a balance of \$2,179,100. The General Fund ending fund balance in FY05 was \$1,142,832. This represents an increase of \$1,036,268. In recent years, the General Fund balance continued to decline. In addition to cutbacks in state shared revenue, interest rates had dropped significantly, causing this balance to drop to the point where additional property taxes needed to be raised to stabilize the fund. Therefore, a Supplemental levy was implemented beginning in FY06.

The MH/DD Fund ended FY06 with a balance of \$509,018. The ending fund balance for FY05 was \$674,559. This represents a decrease of \$165,541. The MH/DD Fund is entirely determined by state mandated formulas. Even though the balance has dropped from last year, the balance is adequate to begin FY07. If state mandates continue to determine the amount of money that can be levied in this fund, cuts to types of services currently funded may be required.

The Rural Services Fund ended FY06 with a balance of \$1,160,311. The ending fund balance for FY05 was \$756,843. This represents an increase of \$403,468. This increase is partially attributable to the levy increase in the Rural Service Fund for FY06.

The Secondary Road Fund ended FY06 with a balance of \$6,222,288. The ending fund balance for FY05 was \$6,272,213. This represents a decrease of \$49,925. The Secondary Road Fund balance continues to be a bright spot in the Sioux County budget.

The Debt Service Fund ended FY06 with a balance of \$219,402. The ending fund balance for FY05 was \$463,332. This represents a decrease of \$243,930. This decrease is due to the principal and interest payments in FY05 being made from excess funds remaining in the capital project fund due to lower than estimated costs for the Public Safety Center project.

General Fund Budgetary Highlights

Over the course of the year, Sioux County amended expenditures \$35,000. The budget was amended to reflect the additional ambulance replacement cost incurred, but not initially appropriated for in the budget. There were no significant variations between the final budget amounts and the actual results for the general fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY06, Sioux County had \$38,074,971 invested in capital assets.

Capital Assets of Governmental Activities at Year End		
	2006	2005
Land	\$ 1,044,542	\$ 1,044,542
Buildings and improvements	9,645,086	9,563,909
Equipment	11,159,707	10,656,167
Infrastructure	40,334,292	36,244,901
Construction in Progress	116,028	1,139,372
Totals	<u>\$ 62,299,655</u>	<u>\$ 58,648,891</u>

The County had depreciation expense of \$2,415,841 for the year ended June 30, 2006 and total accumulated depreciation at June 30, 2006 of \$24,224,684. Additional information on the County's capital assets can be found in Note 6 of the financial statements.

Debt

Sioux County is assigned an **A1** rating from Moody's Rating Committee for its General Obligation Bonds.

At the end of FY06 Sioux County had bonded indebtedness of \$5,210,000. The bonded indebtedness at the end of FY05 was \$5,435,000. General obligation debt relates to the issuance of general obligation bonds for the Public Safety Center construction which continues to decrease as scheduled principal payments are made. Additional information on the County's long term debt can be found in note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Sioux County's elected and appointed officials and citizens considered many factors when setting the FY07 budget, tax rates, and fees that finance the various County services. For FY07, it was necessary to implement a General Supplemental Fund tax levy of .84870 to prevent continued declining balances. The tax rate in the Rural Basic Fund remained the same as FY06 at 2.81861.

The General Fund ended FY06 with \$1,036,268 more than the FY05 ending balance. This follows an increase of \$118,760 from the previous year. (The County budgets on a cash basis, therefore, amounts in this budget section are also presented on a cash basis.) The tax levy rate in the Debt Service Fund was increased to .23671 from .20000 in FY06.

Many factors were taken into account when adopting the budget for fiscal year 2007. Amounts appropriated in the General Fund are approximately \$7,410,832. Amounts appropriated in Special Revenue Funds are approximately \$13,126,360. Debt Service appropriations will be \$479,016.

If these estimates are realized, Sioux County's General Fund balance is expected to remain about the same as at FY06 year-end. The Rural Fund balance is expected to rise slightly from the previous year.

Additional office space has been requested from the Clerk of District Court. As a result of that request and also the need for additional space for various offices in the Courthouse, a committee was appointed to explore any options that may meet those needs. Sioux County purchased the former First Federal Bank building located in Orange City and moved the County Treasurer's Office to that building to free up space in the courthouse. This move resulted in costs for remodeling and relocating.

CONTACTING THE COUNTY'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Sioux County finances, and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Lois Huitink
Sioux County Auditor
210 Central Avenue SW
Orange City, Iowa 51041
(712) 737-2216

SIOUX COUNTY BOARD OF SUPERVISORS:

Mark Sybesma Vern Beernink Loren Bouma Stanley L. De Haan John Degen

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SIOUX COUNTY, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
ASSETS	
Cash and Pooled Investments	\$ 9,255,746
Receivables:	
Property Tax	13,808
Future Property Tax	7,297,365
Accrued Interest	44,568
Accounts	18,598
Notes	414,439
Due from Other Governmental Agencies	1,407,580
Bond Issue Costs	19,141
Inventories	1,647,880
Prepaid Expenses	167,552
Land	1,044,542
Construction in Progress	116,028
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	36,914,401
Total Assets	<u>58,361,648</u>
LIABILITIES	
Accounts Payable	524,343
Due to Other Governmental Agencies	36,703
Deferred Revenue - Future Property Tax	7,297,365
Accrued Interest Payable	39,794
Salaries and Benefits Payable	59,959
Long Term Liabilities	
Due within one year:	
General Obligation Bonds	240,000
Compensated Absences	283,015
Due in more than one year:	
General Obligation Bonds	4,970,000
Total Liabilities	<u>13,451,179</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	32,864,971
Restricted for:	
Debt Service	179,608
Unrestricted	11,865,890
Total Net Assets	<u>\$ 44,910,469</u>

See Accompanying Notes to Financial Statements

SIoux COUNTY, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>
Primary Government:			
Governmental Activities:			
Public safety and legal services	\$ 3,234,657	\$ 856,716	
Physical health and social services	1,044,483	41,410	
Mental health	2,260,298	41,127	
County environment and education	743,239	44,865	
Roads and transportation	6,003,265	11,305	
Government services to Residents	765,938	510,752	
Administration	1,465,145	35,861	
Non-program services	29,257	18,907	
Interest on long-term debt	248,743		
Total governmental activities	<u>\$ 15,795,025</u>		<u>\$ 1,560,943</u>

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 73,882		\$ (2,304,059)
1,047,298		44,225
1,017,875		(1,201,296)
13,451	137,500	(547,423)
3,723,348	3,398,345	1,129,733
7,500	225,103	(22,583)
		(1,429,284)
		(10,350)
		(248,743)
<u>\$ 5,883,354</u>	<u>\$ 3,760,948</u>	<u>(4,589,780)</u>

General Revenues:

Property taxes levied for:	
General purposes	6,358,319
Debt service	204,551
Interest and penalties on taxes	37,104
State tax credits	407,262
Local option sales tax	1,084,692
Unrestricted intergovernmental revenues	17,101
Unrestricted investment earnings	470,655
Miscellaneous	208,673
Total general revenues	<u>8,788,357</u>
Change in net assets	4,198,577
Net assets - beginning	<u>40,711,892</u>
Net assets - ending	<u>\$ 44,910,469</u>

SIOUX COUNTY, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2006

	General	Mental Health	Rural Services
Assets			
Cash and Pooled Investments	\$ 1,784,910	\$ 788,281	\$ 990,854
Receivables:			
Property Tax	13,068	403	228
Future Property Tax	4,382,301	1,027,388	1,538,760
Accrued Interest	34,157		
Accounts	287	7,500	
Notes			
Due from Other Funds	5,084		
Due from Other Governmental Agencies	442,222	1,612	170,440
Inventories			
Prepaid Insurance	102,979		
Total Assets	<u>6,765,008</u>	<u>1,825,184</u>	<u>2,700,282</u>
Liabilities and Equity			
Liabilities:			
Accounts Payable	144,357	283,292	935
Due to Other Funds		5,084	
Due to Other Governmental Agencies	36,703		
Deferred Revenue - Future Property Tax	4,382,301	1,027,388	1,538,760
Unearned Revenue	12,856	402	228
Salaries and Benefits Payable	9,691		48
Total Liabilities	<u>4,585,908</u>	<u>1,316,166</u>	<u>1,539,971</u>
Fund Balances:			
Reserved for Debt Service			
Reserved for Inventories			
Reserved for Prepaid Expenses	102,979		
Reserved for Long-term notes			
Unreserved for:			
General Fund	2,076,121		
Special Revenue Fund		509,018	1,160,311
Total Fund Balances	<u>2,179,100</u>	<u>509,018</u>	<u>1,160,311</u>
Total Liabilities and Equity	<u>\$ 6,765,008</u>	<u>\$ 1,825,184</u>	<u>\$ 2,700,282</u>

See Accompanying Notes to Financial Statements

Secondary Roads	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 3,844,117	\$ 219,651	\$ 1,517,128	\$ 9,144,941
	109		13,808
	272,016	76,900	7,297,365
		10,411	44,568
8,282		2,529	18,598
		414,439	414,439
			5,084
792,259		1,047	1,407,580
1,647,880			1,647,880
64,573			167,552
6,357,111	491,776	2,022,454	20,161,815
84,603	250		513,437
			5,084
			36,703
	272,016	76,900	7,297,365
	108		13,594
50,220			59,959
134,823	272,374	76,900	7,926,142
	219,402		219,402
1,647,880			1,647,880
64,573			167,552
		414,439	414,439
			2,076,121
4,509,835		1,531,115	7,710,279
6,222,288	219,402	1,945,554	12,235,673
\$ 6,357,111	\$ 491,776	\$ 2,022,454	\$ 20,161,815

See Accompanying Notes to Financial Statements

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SIOUX COUNTY, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds (page 17)		\$	12,235,673
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.			38,074,971
The internal service fund used by management to charge the costs of self-insured health is included in the statement of net assets.			99,899
Deferred revenues from the balance sheet that provide current financial resources for governmental activities.			13,594
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(39,794)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.			19,141
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
	General Obligation Bonds	\$ (5,210,000)	
	Compensated Absences	<u>(283,015)</u>	<u>(5,493,015)</u>
Total Net Assets - Governmental Activities (page 13)		\$	<u><u>44,910,469</u></u>

SIOUX COUNTY, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2006

	General	Mental Health
Revenue:		
Property and other county taxes	\$ 3,971,580	\$ 968,769
Interest and penalties on taxes	37,104	
Intergovernmental	2,336,010	1,077,828
Licenses and permits		
Charges for services	607,211	41,127
Use of money and property	428,171	
Miscellaneous	97,699	7,500
Total Revenue	<u>7,477,775</u>	<u>2,095,224</u>
Expenditures:		
Current operating:		
Public safety and legal services	2,484,904	
Physical health and social services	1,042,077	
Mental Health		2,260,765
County environment and education	422,221	
Roads and transportation	20,000	
Government services to residents	867,351	
Administration	1,580,779	
Non-program services	24,175	
Capital projects		
Debt service:		
Principal		
Interest		
Total Expenditures	<u>6,441,507</u>	<u>2,260,765</u>
Excess (deficiency) of revenues over expenditures	<u>1,036,268</u>	<u>(165,541)</u>
Other financing sources (uses):		
Transfers in		
Transfers (out)		
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,036,268	(165,541)
Fund balances - beginning of year	1,142,832	674,559
Increase in Reserve for Inventory		
Fund balances - end of year	<u>\$ 2,179,100</u>	<u>\$ 509,018</u>

See Accompanying Notes to Financial Statements

Rural Services	Secondary Roads	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 2,494,075		\$ 204,551	\$ 5,732	\$ 7,644,707
				37,104
107,227	\$ 4,223,504	11,711	144,862	7,901,142
	6,055			6,055
11,570			39,532	699,440
10,760	5,250	13,803	60,929	518,913
	167,029	146	14,033	286,407
2,623,632	4,401,838	230,211	265,088	17,093,768
625,285			16,723	3,126,912
				1,042,077
				2,260,765
237,659			32,645	692,525
	4,506,135			4,526,135
2,220			9,635	879,206
				1,580,779
				24,175
	1,450,557		44,765	1,495,322
		225,000		225,000
		249,141		249,141
865,164	5,956,692	474,141	103,768	16,102,037
1,758,468	(1,554,854)	(243,930)	161,320	991,731
	1,355,000			1,355,000
(1,355,000)				(1,355,000)
(1,355,000)	1,355,000	-	-	-
403,468	(199,854)	(243,930)	161,320	991,731
756,843	6,272,213	463,332	1,784,234	11,094,013
	149,929			149,929
\$ 1,160,311	\$ 6,222,288	\$ 219,402	\$ 1,945,554	\$ 12,235,673

See Accompanying Notes to Financial Statements

SIOUX COUNTY, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 20)	\$ 991,731
--	------------

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 5,241,734	
Depreciation expense	<u>(2,415,841)</u>	2,825,893

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources.	(69,584)
---	----------

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	2,855
--------------	-------

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities:	(1,290)
--	---------

Internal service funds are used by management to fund and maintain the City's health insurance provided to user departments and are included in the statement of net assets. The net revenue of the internal service fund is reported with governmental activities.	78,398
---	--------

Accrued interest expense that does not require current financial resources.	1,688
---	-------

The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:

General Obligation Bonds	225,000
--------------------------	---------

Compensated Absences that do not require current financial resources.	(6,043)
---	---------

Inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items as expenditures in the period that the corresponding net asset is exhausted.	<u>149,929</u>
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Change in net assets of governmental activities (page 15)	<u><u>\$ 4,198,577</u></u>
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SIoux COUNTY, IOWA
STATEMENT OF NET ASSETS
Governmental Activities - Internal Service Fund
JUNE 30, 2006

ASSETS

Current Assets

Cash and Pooled Investments	\$ 110,805
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Total Assets	<u>110,805</u>
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LIABILITIES

Current Liabilities

Accounts Payable	<u>10,906</u>
------------------	---------------

Total Liabilities	<u>10,906</u>
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NET ASSETS

Unrestricted	<u>\$ 99,899</u>
--------------	------------------

SIOUX COUNTY, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Governmental Activities - Internal Service Fund
For the Year Ended June 30, 2006

Operating revenues:	
Reimbursements from operating funds	\$ 166,794
Reimbursement from employees	249
Total operating revenue	<u>167,043</u>
Operating expenses:	
Claims paid	83,614
Administrative fees	7,634
Total operating expenses	<u>91,248</u>
Operating Income	75,795
Nonoperating income:	
Interest on investments	<u>2,603</u>
Net Income	<u>78,398</u>
Change in Net Assets	78,398
Net assets - beginning	<u>21,501</u>
Net assets - ending	<u><u>\$ 99,899</u></u>

SIOUX COUNTY, IOWA
STATEMENT OF CASH FLOWS
Governmental Activities - Internal Service Fund
For the Year Ended June 30, 2006

Cash flows from operating activities:

Cash received from employer/employee contributions	\$ 167,043
Cash payments for insurance premiums and services	<u>(82,158)</u>
Net cash provided by operating activities	84,885

Cash flows from investing activities:

Interest on investments	<u>2,603</u>
Net increase in cash and cash equivalents	87,488
Cash and pooled investments - beginning of year	<u>23,317</u>
Cash and pooled investments - end of year	<u><u>\$ 110,805</u></u>

Reconciliation of operating income to net cash used in
operating activities:

Operating income	\$ 75,795
Change in assets and liabilities:	
Increase in accounts payable	<u>9,090</u>
Net cash provided by operating activities	<u><u>\$ 84,885</u></u>

SIOUX COUNTY, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2006

ASSETS

Cash and Pooled Investments	\$	1,676,684
Receivables:		
Property Tax		15,520
Future Property Tax		26,385,472
Accounts		21,145
Assessments		118,706
Due from Other Governments		7,327
Total Assets		<u>28,224,854</u>

LIABILITIES

Accounts Payable		5,651
Due to Other Governments		28,181,830
Salaries and Benefits Payable		6,502
Compensated Absences		30,871
Total Liabilities	\$	<u>28,224,854</u>

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sioux County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

The more significant accounting policies established in GAAP and used by the County are discussed below.

- A. Reporting Entity – For financial reporting purposes, Sioux County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sioux County Assessor's Conference Board, Sioux County Emergency Management Commission, Sioux County Public Safety Commission, the Sioux County Civil Service Commission, and Sioux County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County. The County Board of Supervisors also are members of the Sioux County Revolving Loan Fund. This fund is reported as a special revenue fund in these financial statements. Sioux County is also a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency.

- B. Basic Financial Statements – Government-Wide Statements – The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements contain only governmental activities. The County's Public Safety and Legal Services, Physical Health and Social Services, County Environment and Education, and Government Services to Residents are classified as governmental activities. The County's internal service fund is classified as a primarily governmental type activity.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions (administration, law enforcement, courts, roads, etc.). The functions are also supported by general government revenues (property taxes, fines, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The County does not allocate indirect costs. Certain expenses of the County are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

- C. Basis of Presentation – Fund Accounting – The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in the governmental activities category. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The County electively added funds, as major funds, which had a specific county focus. The nonmajor funds are combined in a column in the fund financial statements.

Governmental Fund Types – The focus of the governmental funds' measurement (in the fund statements) is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The County reports the following major governmental funds.

- 1) General Fund - The general fund is the general operating fund of the County. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2) Special Revenue Funds

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

3) Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long-term debt.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles used are those applicable to similar businesses in the private sector. The County reports the following proprietary fund:

Internal Service Fund – Accounts for the County's partial self-funded insurance plan for health insurance.

The County's internal service fund is presented as a proprietary fund financial statement. The users of the internal services are the County's governmental activities therefore the financial statement of net assets is consolidated into the government-wide statement of net assets. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support County programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide statements.

The agency funds of the County account for the property taxes levied by political subdivisions within the County, collections of those amounts by the county, and the remittance of the collected amounts to the subdivisions.

D. Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

- E. Budgets – The budgetary comparison and related disclosures are reported as Required Supplementary Information.
- F. Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. The County has defined cash and cash equivalents to include cash on hand and demand deposits. In addition, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. The County uses the following method in determining the reported amounts:

Type	Method
Certificates of Deposit	Cost
GNMA Securities	Fair Values
Federal Home Loan Mortgage Securities	Based upon quoted market prices
FNMA Securities	"
SLMA Securities	"
U.S. Treasury Notes	"
Iowa Public Agency Investment Trust	Fair value determined by current share prices

- G. Property Tax Receivable – The County's property tax rates were extended against the assessed valuation of the County as of January 1, 2004 to compute the amounts that became liens on property on July 1, 2005. These taxes were due and payable in two installments on September 30, 2005 and March 31, 2006 at the County Treasurer's Office. Property tax receivable represents taxes that are due and payable but have not been collected.
- H. Future Property Taxes Receivable – This represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Although the succeeding year property tax receivable has been recorded, for governmental funds the revenue is recorded as unearned revenue and will not be recognized as revenue until the year for which it is levied. For agency funds, as no revenues are recorded, the amounts are reflected as being due to other governments.

- I. Assessments Receivable – Assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than ten or more than twenty annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Assessments receivable represents assessments, which are due and payable in the next year but have not been collected and are recorded in a fiduciary fund of the County.
- J. Due to/from Other Funds – During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.
- K. Due to/from Other Governments – Due to/from other governments represents state tax credits due from the State of Iowa, various shared revenues, grants, and reimbursements receivable and taxes and other revenues collected by the County which will be remitted to other governments.
- L. Inventories – Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve, which indicates that they are not available to liquidate current obligations.
- M. Compensated Absences – County employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services, and Secondary Roads Funds.
- N. Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- O. Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable not collected within sixty days after year-end as well as unspent grant proceeds.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P. Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of \$5,000 for buildings and structures and machinery and equipment and in excess of \$25,000 for infrastructure. Property and equipment of the County is depreciated using the straight line method over the following estimated useful lives:

Buildings and Structures	10 – 50 Years
Infrastructure	10 – 65 Years
Machinery and Equipment	3 – 20 Years

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trust; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2006 the County had the following investments:

<u>Type</u>	<u>Maturity</u>	<u>Credit Risk</u>	<u>Fair Value</u>
Federal Home Loan Bank	7/12/2006	AAA	\$ 249,675
Federal National Mortgage Ass'n	10/27/2006	AAA	241,318
Federal National Mortgage Ass'n	7/26/2006	AAA	249,175
Federal Home Loan Bank	9/15/2006	AAA	247,046
Federal Home Loan Bank	8/15/2006	AAA	247,375
Federal Home Loan Bank	12/30/2006	AAA	250,000
Federal Home Loan Bank	11/9/2006	AAA	250,000
Federal Home Loan Mortgage Corp	7/21/2006	AAA	248,247
Federal Home Loan Mortgage Corp	7/15/2006	AAA	250,156
Federal National Mortgage Ass'n	8/4/2006	AAA	304,812

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,734,889 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 2 - DEPOSITS AND POOLED INVESTMENTS – (CONTINUED)

Interest Rate Risk: The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and uses of the County.

Credit Risk: The County's investments at June 30, 2006 were rated AAA by Moody's Investors service. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk: The County's investment policy places limits on the amount that may be invested in any one issuer. At the time of purchase, no more than five (5) percent of the investment portfolio of Sioux County shall be invested in the securities of a single issuer. However, as of June 30, 2006, the County's investment in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation was 15% and 9.5%, respectively, of the County's total investments. The County's investment in the Federal Home Loan Bank is not subject to concentration of credit risk as the Federal Home Loan Bank represents U.S. government issued debt.

Cash and Pooled Investments

The County pools the resources of each individual fund's available cash in order to obtain higher rates of return than could be if the funds were invested individually. The cash and pooled investments at June 30, 2006 consisted of the following:

Reconciliation to the Financial Statements:

	<u>Carrying Amount</u>
Investments	\$ 5,272,693
Demand Deposits	2,083,737
Time Deposits	3,575,000
Cash on Hand	1,000
	<u>\$ 10,932,430</u>
 Cash and Pooled Investments - Governmental Activities	 \$ 9,255,746
 Cash and Pooled Investments - Agency Funds	 1,676,684
	<u>\$ 10,932,430</u>

NOTE 3 - NOTES RECEIVABLE

Sioux County Revolving Loan Fund - During the year ended June 30, 1989 the Sioux County Revolving Loan Fund was incorporated. The purpose of the corporation is to promote economic development in Sioux County. During the year ended June 30, 2006, the County made no contributions to the Sioux County Revolving Loan Fund. The County records the loan activity of this corporation in a Special Revenue Fund.

The proceeds from the businesses remain in the Sioux County Revolving Loan Fund for future loans to other businesses. Loan repayments totaled \$208,079 during the year ended June 30, 2006. The loans are secured by real estate mortgages and personal guarantees of the business owners.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 3 - NOTES RECEIVABLE - (CONTINUED)

Loans by the Sioux County Revolving Loan Fund are as follows:

Loaned to	Date of Loan	Original Loan Amount	Interest Rate	Term of Loan	Monthly Payment	Loan Balance June 30, 2006
Den Hartog Industries	November 1, 2001	100,000	3.85	5 yrs	1,835	9,087
Valley Machining Co., Inc.	November 23, 1999	100,000	5.78	6 yrs.	1,647	7,512
	October 10, 2001	100,000	5.25	5 yrs.	1,899	
Sioux Automation Center, Inc	July 31, 2000	100,000	6.30	6 yrs.	1,671	4,962
Quality Machine Products, Inc.	March 16, 2001	9,417	6.30	5 yrs.	183	4,125
	November 1, 2001	9,167	6.30	5 yrs.	178	5,246
	February 28, 2002	5,216	6.30	4 yrs.	123	2,880
	August 23, 2002	29,167	6.30	4 yrs.	798	23,448
	September 27, 2002	2,591	6.30	3.5 yrs.	70	1,584
	March 31, 2005	5,833	6.30	5 yrs.	114	5,243
Valley Industrial Powder Coating, Inc.	June 4, 2002	75,000	3.35	5 yrs.	1,359	14,701
Total Component Solutions	August 2, 2002	100,000	3.30	5 yrs.	1,812	24,838
Revival Animal Health	January 28, 2003	100,000	3.80	7 yrs.	1,358	54,500
Midwest Enrg Flakes, Inc.	August 4, 2003	50,000	3.80	7 yrs.	679	31,346
VH Manufacturing	August 15, 2003	60,000	3.00	5 yrs.	1,078	28,115
Siouxland Fabricating	November 6, 2003	50,000	3.00	5 yrs.	898	25,102
Patrick Cudahy, Inc.	January 20, 2004	100,000	3.00	5 yrs.	1,797	56,848
TEC Industries, LLC	February 1, 2005	100,000	3.325	5 yrs.	1,811	74,935
Midwest Promanufacturing	April 29, 2005	50,000	3.85	5 yrs.	917	39,967
		<u>\$ 1,146,391</u>				<u>\$ 414,439</u>

Rural Community 2000 Program Loan - During the year ended June 30, 1990, the County was awarded a loan in the amount of \$90,000 for well installation and improvement and water main installation from the Iowa Department of Economic Development's Rural Community 2000 Program, which the County subsequently loaned to the Southern Sioux Rural Water System. This note is secured by the system improvements made with the loan. The loan requires 15 annual payments of \$7,599 annually, which represents principal and interest at three percent per annum. The loan was paid in full as of June 30, 2006.

The County is required to remit the proceeds of the loan repayments from the subrecipients to the Iowa Department of Economic Development. The activity is recorded in a Fiduciary Fund showing both a notes receivable and a due to other governments.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Fund Due to</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Mental Health Fund	<u>\$ 5,084</u>

These balances were a result of a receipt recorded in the Mental Health Fund in error. The interfund receivable and payable was set up to correct the error.

NOTE 5 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer Out:

Transfer In:	<u>Rural Services</u>	<u>Transfer Out</u>
Secondary Roads	<u>\$ 1,355,000</u>	<u>\$ 1,355,000</u>
	<u>\$ 1,355,000</u>	<u>\$ 1,355,000</u>

Transfers were used to:

1. Move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,044,542	-	-	\$ 1,044,542
Construction in Progress	1,139,372	\$ 116,028	\$ 1,139,372	116,028
Total capital assets not being depreciated	2,183,914	116,028	1,139,372	1,160,570
Capital assets being depreciated:				
Buildings	9,563,909	81,177	-	9,645,086
Equipment	10,656,167	1,064,510	560,970	11,159,707
Infrastructure	36,244,901	5,119,391	1,030,000	40,334,292
Total capital assets being depreciated	56,464,977	6,265,078	1,590,970	61,139,085
Less: Accumulated Depreciation for:				
Buildings	3,479,623	173,029	-	3,652,652
Equipment	6,019,047	552,545	491,386	6,080,206
Infrastructure	13,831,559	1,690,267	1,030,000	14,491,826
Total Accumulated Depreciation	23,330,229	2,415,841	1,521,386	24,224,684
Total capital assets being depreciated, net	33,134,748	3,849,237	69,584	36,914,401
Governmental activities capital assets, net	\$ 35,318,662	\$ 3,965,265	\$ 1,208,956	\$ 38,074,971

Depreciation expense was charged to the functions as follows:

Public Safety and Legal Services	\$ 169,908
Physical Health and Social Services	1,253
County Environment and Education	50,763
Roads and Transportation	2,075,976
Government Services to Residents	106,541
Administration	6,318
Non-Program	5,082
	<u>\$ 2,415,841</u>

Reconciliation of Invested in Capital Assets:

	Governmental Activities
Land	\$ 1,044,542
Construction in Progress	116,028
Capital Assets (net of accumulated depreciation)	36,914,401
Less: General Obligation Bonds	<u>(5,210,000)</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 32,864,971</u>

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 7 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	<u>General Obligation Bonds</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance Beginning of Year	\$ 5,435,000	\$ 276,972	\$ 5,711,972
Increases	-	283,015	283,015
Decreases	225,000	276,972	501,972
Balance End of Year	<u>\$ 5,210,000</u>	<u>\$ 283,015</u>	<u>\$ 5,493,015</u>
Due Within One Year	<u>\$ 240,000</u>	<u>\$ 283,015</u>	<u>\$ 523,015</u>

In March 2002, the County issued \$6,000,000 General Obligation Bonds to acquire land and build, equip and furnish a Public Safety Center. The annual requirements to amortize this debt are as follows:

<u>Year Ending June 30</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.50%	\$ 240,000	238,766	478,766
2008	4.50%	250,000	227,966	477,966
2009	4.50%	265,000	216,716	481,716
2010	4.40%	280,000	204,791	484,791
2011	4.15%	295,000	192,471	487,471
2012-2016	4.20%-4.60%	1,705,000	760,726	2,465,726
2017-2021	4.65%-5.0%	2,175,000	328,510	2,503,510
		<u>\$ 5,210,000</u>	<u>\$ 2,169,946</u>	<u>\$ 7,379,946</u>

\$219,402 is available in the Debt Service Fund to service the General Obligation Bonds. The general obligation bonds are to be retired through property tax levies.

In March, 2005, the County authorized the issuance of \$5,000,000 General Obligation Capital Loan Notes for the purpose of paying costs of aiding in the planning, undertaking and carrying out of the Urban Renewal District 1 Project Area project, including road improvements. As of June 30, 2006 and the issuance of the report the bonds have not yet been issued.

NOTE 8 - PENSION AND RETIREMENT

Iowa Public Employees Retirement System - The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 8 - PENSION AND RETIREMENT (CONTINUED)

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$274,699, \$264,910, and \$254,060, respectively, equal to the required contributions for each year.

NOTE 9 - RISK MANAGEMENT

Sioux County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2006 were \$258,077.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and boiler and machinery. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The County also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

NOTE 10 - CONTINGENCY

The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund that receives the grant. As of June 30, 2006, the County estimates that no material liabilities will result from such audits.

The County is a defendant in a number of lawsuits in its normal course of operations. The outcome of these lawsuits is not presently determinable and an estimate of possible losses cannot be made.

NOTE 11 - CONSTRUCTION COMMITMENT

The County has entered into several construction contracts totaling \$1,743,079 for bridge and culvert construction and roadway paving. As of June 30, 2006, no costs had been incurred against the contracts. The balance will be paid as work on the projects progress.

NOTE 12 - FUND BALANCE DESIGNATIONS

The Board had originally designated \$300,000 of the Rural Services Fund Balance, including all interest earned on the original designation to be used to assist cities in the purchase of new ambulances. The balance remaining of the designation at June 30, 2006 is \$284,841.

This designation is included in unreserved fund balances in the government-wide financial statements and in the applicable fund financial statements.

NOTE 13 - CONDUIT DEBT OBLIGATIONS

The County has issued Senior Housing Revenue Bonds to provide financial assistance to a non-profit corporation for the acquisition, construction, and equipping of assisted and independent housing for seniors deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the non-profit corporation. Neither the County, the State, nor any political subdivision, thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

SIOUX COUNTY, IOWA
Notes to Financial Statements
June 30, 2006

NOTE 13 - CONDUIT DEBT OBLIGATIONS (CONTINUED)

The Senior Housing Revenue Bonds outstanding had an original issue amount of \$4,500,000. The outstanding balance at June 30, 2006 was \$3,835,000.

NOTE 14 - PARTIALLY SELF-FUNDED HEALTH INSURANCE PLAN

The Sioux County Partially Self-Funded (PSF) Health Insurance Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with TPA, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for out-of-pocket maximums of \$1,300 for single individuals and \$2,600 for family coverage.

Monthly payments of service fees and plan contributions to the Sioux County PSF Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to TPA, Ltd. from the Sioux County PSF Health Insurance Fund. The County records the plan assets and related liabilities of the Sioux County PSF Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2006 was \$166,794.

Amounts payable from the PSF Health Insurance Fund at June 30, 2006 total \$10,906 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on estimates of the amounts necessary to pay current year claims. A liability has been established based on the requirements of Government Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

	2006	2005
Unpaid claims, beginning of year	\$ 1,816	\$ 4,259
Incurred claims (including IBNR's)	83,614	28,963
Claim Payments	(74,524)	(31,406)
Unpaid claims, end of year	<u>\$ 10,906</u>	<u>\$ 1,186</u>

NOTE 15 - GUARANTEED DEBT

Sioux County is a member of a 28E agreement with the Northwest Iowa Area Solid Waste Agency. Sioux County has provided a Local Government Guarantee as specified in IAC 567-111.6(8) for the Agency. The current closure and/or postclosure cost estimates being assured through the Local Government Guarantee by Sioux County are as follows:

Closure cost to be assured:	\$ 14,528
Postclosure cost to be assured:	\$222,472

REQUIRED SUPPLEMENTARY INFORMATION

SIoux COUNTY, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Amended	(Cash Basis)	Positive (Negative)
Revenue:				
Property and other county taxes	\$ 7,576,777	\$ 7,576,777	\$ 7,627,457	\$ 50,680
Interest and penalties on taxes	23,500	23,500	36,940	13,440
Intergovernmental	7,156,972	7,156,972	7,099,231	(57,741)
Licenses and permits	3,250	3,250	5,940	2,690
Charges for services	621,285	621,285	668,639	47,354
Use of money and property	266,940	266,940	706,815	439,875
Miscellaneous	137,100	137,100	273,280	136,180
Total Revenue	15,785,824	15,785,824	16,418,302	632,478
Expenditures:				
Current operating:				
Public safety and legal services	3,141,475	3,176,475	3,126,552	49,923
Physical health and social services	1,126,842	1,126,842	1,016,429	110,413
Mental Health	2,553,289	2,553,289	2,111,370	441,919
County environment and education	697,742	697,742	697,572	170
Roads and transportation	4,802,975	4,802,975	4,520,620	282,355
Government services to residents	957,177	957,177	871,246	85,931
Administration	1,738,805	1,738,805	1,556,178	182,627
Non-program services	47,750	47,750	25,612	22,138
Debt service	474,142	474,142	473,891	251
Capital projects	3,401,200	3,401,200	1,623,364	1,777,836
Total Expenditures	18,941,397	18,976,397	16,022,834	2,953,563
Excess (Deficiency) of revenues over expenditures	(3,155,573)	(3,190,573)	395,468	3,586,041
Other financing sources (uses):				
Transfers in	1,390,430	1,390,430	1,355,000	(35,430)
Transfers out	(1,390,430)	(1,390,430)	(1,355,000)	35,430
Proceeds of Fixed Asset Sales	1,700	1,700	-	(1,700)
Total other financing sources (uses)	1,700	1,700	-	(1,700)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (3,153,873)	\$ (3,188,873)	395,468	\$ 3,584,341
Balance beginning of year			8,749,473	
Balance end of year			\$ 9,144,941	

SIOUX COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$35,000. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During fiscal year 2006, the County had one budget amendment. The amendment is as follows:

<u>Function</u>	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
Public Safety and Legal Services	\$ 3,141,475	\$ 35,000	\$ 3,176,475
Physical Health and Social Services	1,126,842		1,126,842
Mental Health	2,553,289		2,553,289
County Environment and Education	697,742		697,742
Roads and Transportation	4,802,975		4,802,975
Government Services to Residents	957,177		957,177
Administration	1,738,805		1,738,805
Non-Program	47,750		47,750
Capital Projects	3,401,200		3,401,200
Debt Service	474,142		474,142
Total	<u>\$ 18,941,397</u>	<u>\$ 35,000</u>	<u>\$ 18,976,397</u>

SIOUX COUNTY, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

As noted previously, the actual results of operations are presented in accordance with U.S. generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the 2005-06 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis which is consistent with the County's budgeted expenditures. The adjustments required to convert the expenses to cash basis at the end of year are as follows:

Governmental Funds			
	Cash Basis	Total Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 16,418,302	\$ 675,466	\$ 17,093,768
Expenditures	16,022,834	79,203	16,102,037
Net	395,468	596,263	991,731
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance, as Restated	8,749,473	2,344,540	11,094,013
Increase in Reserve for Inventory	-	149,929	149,929
Ending Fund Balance	<u>\$ 9,144,941</u>	<u>\$ 3,090,732</u>	<u>\$ 12,235,673</u>

OTHER SUPPLEMENTARY INFORMATION

SIOUX COUNTY, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2006

	Special Revenue Funds			
	Recorder's Records Management Fund	Federal Revenue Sharing	Sioux County Revolving Loan Fund	Attorney's Forfeiture Fund
Assets				
Cash and Pooled Investments	\$ 34,247	\$ 127,082	\$ 1,041,294	\$ 952
Receivables:				
Future Property Tax				
Accrued Interest			10,411	
Accounts				
Notes			414,439	
Due from Other Governmental Agencies				
Total Assets	34,247	127,082	1,466,144	952
Liabilities and Equity				
Liabilities:				
Deferred Revenue - Future Property Tax				
Total Liabilities	-	-	-	-
Fund Balances:				
Reserved for:				
Long-term notes			414,439	
Unreserved for:				
Special Revenue Fund	34,247	127,082	1,051,705	952
Total Fund Balances	34,247	127,082	1,466,144	952
Total Liabilities and Equity	\$ 34,247	\$ 127,082	\$ 1,466,144	\$ 952

Special Revenue Funds						
Sheriff's Forfeiture Fund	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder Electronic Transaction Fee	Urban Renewal District #1	Capital Project	Total
\$ 123	\$ 45,668	\$ 261,586	\$ 3	\$ 6,173		\$ 1,517,128
				76,900		76,900
						10,411
		2,529				2,529
						414,439
1,047						1,047
1,170	45,668	264,115	3	83,073	-	2,022,454
				76,900		76,900
-	-	-	-	76,900	-	76,900
						414,439
1,170	45,668	264,115	3	6,173		1,531,115
1,170	45,668	264,115	3	6,173	-	1,945,554
\$ 1,170	\$ 45,668	\$ 264,115	\$ 3	\$ 83,073	\$ -	\$ 2,022,454

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Recorder's Records Management Fund	Federal Revenue Sharing	Sioux County Revolving Loan Fund	Attorney's Forfeiture Fund
Revenue:				
Property and other county taxes				
Intergovernmental				
Charges for services	\$ 7,187			
Use of money and property	1,087	\$ 4,251	\$ 45,255	\$ 29
Miscellaneous			175	923
Total Revenue	8,274	4,251	45,430	952
Expenditures:				
Current operating:				
Public safety and legal services				
County environment and education				
Government services to residents			8,731	
Capital projects				
Total Expenditures	-	-	8,731	-
Excess (Deficiency) of revenues over expenditures	8,274	4,251	36,699	952
Other financing sources (uses):				
Transfers in				
Transfers (out)				
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	8,274	4,251	36,699	952
Fund balances - beginning of year	25,973	122,831	1,429,445	-
Fund balances - end of year	\$ 34,247	\$ 127,082	\$ 1,466,144	\$ 952

Special Revenue Funds						
Sheriff's Forfeiture Fund	Resource Enhancement and Protection	Conservation Land Acquisition	Recorder Electronic Transaction Fee	Urban Renewal District #1	Capital Project	Total
				\$ 5,732		\$ 5,732
	\$ 7,038	\$ 137,500		324		144,862
		32,345				39,532
\$ 164	1,835	8,164	\$ 27	117		60,929
12,935						14,033
13,099	8,873	178,009	27	6,173	\$ -	265,088
16,723						16,723
	32,142	503				32,645
			904			9,635
		44,615			150	44,765
16,723	32,142	45,118	904	-	150	103,768
(3,624)	(23,269)	132,891	(877)	6,173	(150)	161,320
						-
						-
-	-	-	-	-	-	-
(3,624)	(23,269)	132,891	(877)	6,173	(150)	161,320
4,794	68,937	131,224	880	-	150	1,784,234
\$ 1,170	\$ 45,668	\$ 264,115	\$ 3	\$ 6,173	\$ -	\$ 1,945,554

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF NET ASSETS
Agency Funds
For the Year Ended June 30, 2006

	County Recorder	County Sheriff	Agricultural Extension	County Assessor
ASSETS				
Cash and Pooled Investments		\$ 380,833	\$ 2,103	\$ 212,185
Receivables:				
Property Tax			65	137
Future Property Tax			171,575	355,173
Accounts	\$ 463			
Assessments				
Due from Other Governments				
Total Assets	463	380,833	173,743	567,495
LIABILITIES				
Accounts Payable		3,189		353
Due to Other Governments	463	377,644	173,743	554,398
Salaries and Benefits Payable				
Compensated Absences				12,744
Total Liabilities	\$ 463	\$ 380,833	\$ 173,743	\$ 567,495

Schools	Area Schools	Corporations	Townships	City Special Assessments	Auto License and Use Tax
\$ 171,381	\$ 7,182	\$ 76,197	\$ 8,273	\$ 1,831	\$ 609,340
5,348	222	9,705	41		
14,284,242	721,672	10,606,565	242,219		
				118,706	
14,460,971	729,076	10,692,467	250,533	120,537	609,340
14,460,971	729,076	10,692,467	250,533	120,537	609,340
\$ 14,460,971	\$ 729,076	\$ 10,692,467	\$ 250,533	\$ 120,537	\$ 609,340

(continued)

SIOUX COUNTY, IOWA
COMBINING STATEMENT OF NET ASSETS - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Tax In Advance	Emergency Management Services	Brucellosis and Tuberculosis Eradication	Public Safety Agency
ASSETS				
Cash and Pooled Investments	\$ 56,287	\$ 17,264	\$ 149	\$ 88,231
Receivables:				
Property Tax			2	
Future Property Tax			4,026	
Accounts Assessments				
Due from Other Governments				
Total Assets	<u>56,287</u>	<u>17,264</u>	<u>4,177</u>	<u>88,231</u>
LIABILITIES				
Accounts Payable		747		520
Due to Other Governments	56,287	13,921	4,177	65,678
Compensated Absences				6,502
Salaries and Benefits Payable		2,596		15,531
Total Liabilities	<u>\$ 56,287</u>	<u>\$ 17,264</u>	<u>\$ 4,177</u>	<u>\$ 88,231</u>

Disposal Agency	E-911	Rural Community 2000 Program Loan	Treasurer's Trust Fund	Recorder E-Commerce	Flexible Benefits	Total
\$ 29,734	\$ 13,971			\$ 1,411	\$ 312	\$ 1,676,684
						15,520
						26,385,472
	20,682					21,145
						118,706
	7,327					7,327
29,734	41,980			1,411	312	28,224,854
	530				312	5,651
29,734	41,450			1,411		28,181,830
						6,502
						30,871
\$ 29,734	\$ 41,980			\$ 1,411	\$ 312	\$ 28,224,854

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
County Recorder				
<u>Assets</u>				
Cash and Pooled Investments	\$ -	\$ 498,368	\$ 498,368	\$ -
Accounts Receivable	317	463	317	463
Total Assets	<u>317</u>	<u>498,831</u>	<u>498,685</u>	<u>463</u>
<u>Liabilities</u>				
Due to Other Governments	317	498,831	498,685	463
Total Liabilities	<u>317</u>	<u>498,831</u>	<u>498,685</u>	<u>463</u>
County Sheriff				
<u>Assets</u>				
Cash and Pooled Investments	104,990	1,377,021	1,101,178	380,833
Total Assets	<u>104,990</u>	<u>1,377,021</u>	<u>1,101,178</u>	<u>380,833</u>
<u>Liabilities</u>				
Accounts Payable	625	3,189	625	3,189
Due to Other Governments	104,365	1,373,832	1,100,553	377,644
Total Liabilities	<u>104,990</u>	<u>1,377,021</u>	<u>1,101,178</u>	<u>380,833</u>
Agricultural Extension Education				
<u>Assets</u>				
Cash and Pooled Investments	1,911	165,790	165,598	2,103
Property Tax Receivable	53	65	53	65
Future Property Tax	165,572	171,575	165,572	171,575
Total Assets	<u>167,536</u>	<u>337,430</u>	<u>331,223</u>	<u>173,743</u>
<u>Liabilities</u>				
Due to Other Governments	167,536	337,430	331,223	173,743
Total Liabilities	<u>167,536</u>	<u>337,430</u>	<u>331,223</u>	<u>173,743</u>
County Assessor				
<u>Assets</u>				
Cash and Pooled Investments	113,292	353,335	254,442	212,185
Property Tax Receivable	99	137	99	137
Future Property Tax	348,501	355,173	348,501	355,173
Total Asset	<u>461,892</u>	<u>708,645</u>	<u>603,042</u>	<u>567,495</u>
<u>Liabilities</u>				
Accounts Payable	587	353	587	353
Due to Other Governments	451,554	695,548	592,704	554,398
Compensated Absences	9,751	12,744	9,751	12,744
Total Liabilities	<u>\$ 461,892</u>	<u>\$ 708,645</u>	<u>\$ 603,042</u>	<u>\$ 567,495</u>

(Continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
Schools				
<u>Assets</u>				
Cash and Pooled Investments	\$ 173,148	\$ 13,409,808	\$ 13,411,575	\$ 171,381
Property Tax Receivable	5,022	5,348	5,022	5,348
Future Property Tax	13,387,519	14,284,242	13,387,519	14,284,242
Total Assets	<u>13,565,689</u>	<u>27,699,398</u>	<u>26,804,116</u>	<u>14,460,971</u>
<u>Liabilities</u>				
Due to Other Governments	<u>13,565,689</u>	<u>27,699,398</u>	<u>26,804,116</u>	<u>14,460,971</u>
Total Liabilities	<u>13,565,689</u>	<u>27,699,398</u>	<u>26,804,116</u>	<u>14,460,971</u>
Area Schools				
<u>Assets</u>				
Cash and Pooled Investments	6,678	617,331	616,827	7,182
Property Tax Receivable	186	222	186	222
Future Property Tax	616,391	721,672	616,391	721,672
Total Assets	<u>623,255</u>	<u>1,339,225</u>	<u>1,233,404</u>	<u>729,076</u>
<u>Liabilities</u>				
Due to Other Governments	<u>623,255</u>	<u>1,339,225</u>	<u>1,233,404</u>	<u>729,076</u>
Total Liabilities	<u>623,255</u>	<u>1,339,225</u>	<u>1,233,404</u>	<u>729,076</u>
Corporations				
<u>Assets</u>				
Cash and Pooled Investments	63,610	9,440,986	9,428,399	76,197
Property Tax Receivable	6,678	9,705	6,678	9,705
Future Property Tax	9,421,206	10,606,565	9,421,206	10,606,565
Total Assets	<u>9,491,494</u>	<u>20,057,256</u>	<u>18,856,283</u>	<u>10,692,467</u>
<u>Liabilities</u>				
Due to Other Governments	<u>9,491,494</u>	<u>20,057,256</u>	<u>18,856,283</u>	<u>10,692,467</u>
Total Liabilities	<u>9,491,494</u>	<u>20,057,256</u>	<u>18,856,283</u>	<u>10,692,467</u>
Townships				
<u>Assets</u>				
Cash and Pooled Investments	3,423	237,996	233,146	8,273
Property Tax Receivable	55	41	55	41
Future Property Tax	238,101	242,219	238,101	242,219
Total Assets	<u>241,579</u>	<u>480,256</u>	<u>471,302</u>	<u>250,533</u>
<u>Liabilities</u>				
Due to Other Governments	<u>241,579</u>	<u>480,256</u>	<u>471,302</u>	<u>250,533</u>
Total Liabilities	<u>\$ 241,579</u>	<u>\$ 480,256</u>	<u>\$ 471,302</u>	<u>\$ 250,533</u>

(continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
City Special Assessments				
<u>Assets</u>				
Cash and Pooled Investments	\$ 8,411	\$ 239,766	\$ 246,346	\$ 1,831
Assessments Receivable	151,871	118,706	151,871	118,706
Total Assets	<u>160,282</u>	<u>358,472</u>	<u>398,217</u>	<u>120,537</u>
<u>Liabilities</u>				
Due to Other Governments	<u>160,282</u>	<u>358,472</u>	<u>398,217</u>	<u>120,537</u>
Total Liabilities	<u>160,282</u>	<u>358,472</u>	<u>398,217</u>	<u>120,537</u>
Auto License and Use Tax				
<u>Assets</u>				
Cash and Pooled Investments	649,071	7,072,910	7,112,641	609,340
Total Assets	<u>649,071</u>	<u>7,072,910</u>	<u>7,112,641</u>	<u>609,340</u>
<u>Liabilities</u>				
Due to Other Governments	<u>649,071</u>	<u>7,072,910</u>	<u>7,112,641</u>	<u>609,340</u>
Total Liabilities	<u>649,071</u>	<u>7,072,910</u>	<u>7,112,641</u>	<u>609,340</u>
Tax In Advance				
<u>Assets</u>				
Cash and Pooled Investments	31,540	24,747	-	56,287
Total Assets	<u>31,540</u>	<u>24,747</u>	<u>-</u>	<u>56,287</u>
<u>Liabilities</u>				
Due to Other Governments	<u>31,540</u>	<u>24,747</u>	<u>-</u>	<u>56,287</u>
Total Liabilities	<u>31,540</u>	<u>24,747</u>	<u>-</u>	<u>56,287</u>
Emergency Management Services				
<u>Assets</u>				
Cash and Pooled Investments	34,989	142,109	159,834	17,264
Total Assets	<u>34,989</u>	<u>142,109</u>	<u>159,834</u>	<u>17,264</u>
<u>Liabilities</u>				
Accounts Payable	213	747	213	747
Due to Other Governments	32,749	138,766	157,594	13,921
Compensated Absences	2,027	2,596	2,027	2,596
Total Liabilities	<u>\$ 34,989</u>	<u>\$ 142,109</u>	<u>\$ 159,834</u>	<u>\$ 17,264</u>

(continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
Brucellosis and Tuberculosis Eradication				
<u>Assets</u>				
Cash and Pooled Investments	\$ 46	\$ 3,879	\$ 3,776	\$ 149
Property Tax Receivable	1	2	1	2
Future Property Tax	3,873	4,026	3,873	4,026
Total Assets	<u>3,920</u>	<u>7,907</u>	<u>7,650</u>	<u>4,177</u>
<u>Liabilities</u>				
Due to Other Governments	3,920	7,907	7,650	4,177
Total Liabilities	<u>3,920</u>	<u>7,907</u>	<u>7,650</u>	<u>4,177</u>
Public Safety Agency				
<u>Assets</u>				
Cash and Pooled Investments	76,259	292,155	280,183	88,231
Total Assets	<u>76,259</u>	<u>292,155</u>	<u>280,183</u>	<u>88,231</u>
<u>Liabilities</u>				
Accounts Payable	526	520	526	520
Salaries and Benefits Payable	6,530	6,502	6,530	6,502
Due to Other Governments	53,287	269,602	257,211	65,678
Compensated Absences	15,916	15,531	15,916	15,531
Total Liabilities	<u>76,259</u>	<u>292,155</u>	<u>280,183</u>	<u>88,231</u>
Disposal Agency				
<u>Assets</u>				
Cash and Pooled Investments	29,734	-	-	29,734
Total Assets	<u>29,734</u>	<u>-</u>	<u>-</u>	<u>29,734</u>
<u>Liabilities</u>				
Due to Other Governments	29,734	-	-	29,734
Total Liabilities	<u>29,734</u>	<u>-</u>	<u>-</u>	<u>29,734</u>
E-911				
<u>Assets</u>				
Cash and Pooled Investments	41,861	116,725	144,615	13,971
Accounts Receivable	23,204	20,682	23,204	20,682
Due from Other Governments	-	7,327	-	7,327
Total Assets	<u>65,065</u>	<u>144,734</u>	<u>167,819</u>	<u>41,980</u>
<u>Liabilities</u>				
Accounts Payable	11,691	530	11,691	530
Due to Other Governments	53,374	144,204	156,128	41,450
Total Liabilities	<u>\$ 65,065</u>	<u>\$ 144,734</u>	<u>\$ 167,819</u>	<u>\$ 41,980</u>

(Continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
Rural Community 2000 Program Loan				
<u>Assets</u>				
Notes Receivable	\$ 7,378	\$ -	\$ 7,378	\$ -
Total Assets	<u>7,378</u>	<u>-</u>	<u>7,378</u>	<u>-</u>
<u>Liabilities</u>				
Due to Other Governments	<u>7,378</u>	<u>-</u>	<u>7,378</u>	<u>-</u>
Total Liabilities	<u>7,378</u>	<u>-</u>	<u>7,378</u>	<u>-</u>
Treasurer's Trust Fund				
<u>Assets</u>				
Cash and Pooled Investments	-	174,458	174,458	-
Total Assets	<u>-</u>	<u>174,458</u>	<u>174,458</u>	<u>-</u>
<u>Liabilities</u>				
Due to Other Governments	-	174,458	174,458	-
Total Liabilities	<u>-</u>	<u>174,458</u>	<u>174,458</u>	<u>-</u>
Recorder E-Commerce				
<u>Assets</u>				
Cash and Pooled Investments	740	7,927	7,256	1,411
Total Assets	<u>740</u>	<u>7,927</u>	<u>7,256</u>	<u>1,411</u>
<u>Liabilities</u>				
Due to Other Governments	740	7,927	7,256	1,411
Total Liabilities	<u>740</u>	<u>7,927</u>	<u>7,256</u>	<u>1,411</u>
Flexible Benefits				
<u>Assets</u>				
Cash and Pooled Investments	-	8,787	8,475	312
Total Assets	<u>-</u>	<u>8,787</u>	<u>8,475</u>	<u>312</u>
<u>Liabilities</u>				
Accounts Payable	-	8,787	8,475	312
Total Liabilities	<u>\$ -</u>	<u>\$ 8,787</u>	<u>\$ 8,475</u>	<u>\$ 312</u>

(Continued)

SIOUX COUNTY, IOWA
Combining Statement of Changes in Assets and Liabilities - (Continued)
Agency Funds
For the Year Ended June 30, 2006

	Balance July 1, 2005	Addi- tions	Deduc- tions	Balance June 30, 2006
Total All Agency Funds				
<u>Assets</u>				
Cash and Pooled Investments	\$ 1,339,703	\$ 34,184,098	\$ 33,847,117	\$ 1,676,684
Receivables:				
Property Tax	12,094	15,520	12,094	15,520
Future Property Tax	24,181,163	26,385,472	24,181,163	26,385,472
Accounts	23,521	21,145	23,521	21,145
Assessments	151,871	118,706	151,871	118,706
Notes	7,378	-	7,378	-
Due from Other Governments	-	7,327	-	7,327
Total Assets	<u>25,715,730</u>	<u>60,732,268</u>	<u>58,223,144</u>	<u>28,224,854</u>
<u>Liabilities</u>				
Accounts Payable	13,642	14,126	22,117	5,651
Due to Other Governments	25,667,864	60,680,769	58,166,803	28,181,830
Salaries and Benefits Payable	6,530	6,502	6,530	6,502
Compensated Absences	27,694	30,871	27,694	30,871
Total Liabilities	<u>\$ 25,715,730</u>	<u>\$ 60,732,268</u>	<u>\$ 58,223,144</u>	<u>\$ 28,224,854</u>

SIOUX COUNTY, IOWA

**Schedule of Revenues By Source and Expenditures By Function - All Governmental Funds
For the Years Ended June 30, 2006, 2005, 2004, 2003**

	Modified Accrual Basis of Accounting			
	2006	2005	2004	2003
Revenue:				
Property and other county tax	\$ 7,644,707	\$ 6,143,980	\$ 6,196,074	\$ 5,454,921
Interest and penalty on property tax	37,104	33,112	40,775	38,396
Intergovernmental	7,901,142	7,713,338	8,172,221	7,249,579
Licenses and permits	6,055	5,175	4,275	2,795
Charges for services	699,440	777,224	717,906	743,788
Use of money and property	518,913	323,391	242,520	408,525
Miscellaneous	286,407	210,448	370,249	117,132
Total Revenue	<u>\$ 17,093,768</u>	<u>\$ 15,206,668</u>	<u>\$ 15,744,020</u>	<u>\$ 14,015,136</u>
Expenditures:				
Current operating:				
Public safety and legal services	\$ 3,126,912	\$ 3,147,273	\$ 2,906,463	\$ 2,282,799
Physical health and social services	1,042,077	990,082	986,694	1,223,510
Mental health	2,260,765	2,170,728	2,174,660	2,289,533
County environment and education	692,525	623,028	609,362	714,627
Roads and transportation	1,495,322	3,962,119	3,970,872	3,744,588
Government services to residents	879,206	842,863	541,941	444,305
Administration	1,580,779	1,525,308	1,414,469	1,356,819
Non-program services	24,175	19,498	19,223	-
Capital projects	4,393,511	1,756,346	3,529,355	5,024,516
Debt service	474,141	473,816	473,041	465,286
Total	<u>\$ 15,969,413</u>	<u>\$ 15,511,061</u>	<u>\$ 16,626,080</u>	<u>\$ 17,545,983</u>

SIOUX COUNTY, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2006

	CFDA Number	Agency or Pass-Through Number	Program Disburse- ments
Indirect:			
DEPARTMENT OF AGRICULTURE			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 11,791
DEPARTMENT OF JUSTICE			
Iowa Department of Justice:			
Crime Victim Assistance	16.575		13,500
Violence Against Women Formula Grants	16.588		6,500
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-84(112)-8J-84 SBRM-0130(601)-8F-84	346,790 153,365
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600		10,500
Safety Incentive Grant for Use of Seat Belts	20.604		3,890
ELECTION ASSISTANCE COMMISSION			
Iowa Secretary of State			
Help America Vote Act Requirements Payments	90.401	06-HAVA-84-100	220,858
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Iowa Secretary of State			
Voting Access for Individuals with Disabilities Grants to States	93.617	06-HAVA-84-001/002	11,745
Iowa Department of Public Health			
Public Health and Social Services Emergency Fund	93.003	5885EM204	7,676
Iowa Department of Human Services:			
Promoting Safe and Stable Families	93.556		9,085
Child Care and Development Block Grant	93.575		85,199
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		14,230
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,369
Foster Care - Title IV-E	93.658		7,345
Adoption Assistance	93.659		1,792
Medical Assistance Program	93.778		19,062
Social Services Block Grant	93.667		9,764
Social Services Block Grant	93.667		90,424
DEPARTMENT OF HOMELAND SECURITY			
Iowa Department of Public Defense; Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042		20,720
Citizen Corps	97.053		5,342
Total Expenditures of Federal Awards			<u>\$ 1,052,947</u>

SIOUX COUNTY, IOWA
Schedule of Expenditures of Federal Awards (Cash Basis) - (Continued)
Year Ended June 30, 2006

Notes to Schedule of Expenditures of Federal Awards

Note 1 - **Basis of Presentation** - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sioux County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

SIOUX COUNTY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No reportable condition in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux County did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements and Federal Award Expenditures

INSTANCES OF NON COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

No matters were reported.

SIoux COUNTY, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part III: Other Findings Related to Required Statutory Reporting

- III-A-06** Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted.
- III-B-06** Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-06** Travel Expenses – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- III-D-06** Business Transactions – There were no business transactions between the County and County officials and/or employees during the year ended June 30, 2006.
- III-E-06** Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. Township clerks are included in the blanket bond purchased by the County. Chapter 64.12 of the Code of Iowa requires that all bonds required of the township clerk be furnished and paid for by the township.
- Recommendation – The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. The County should seek reimbursement for the amount paid for the bond premiums for township clerks.
- Response – We feel the amount each township owes is minimal and therefore, not worth the time it would take to figure and bill each township.
- Conclusion – Response accepted.
- III-F-06** Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-06** County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from the County operations and, consequently, is not included in these financial statements. Disbursements during the year ended June 30, 2006 for the County Extension Office did not exceed the amount budgeted.
- III-H-06** Resource Enhancement and Protection Certification – The County properly dedicated enough property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- III-I-06** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

SIOUX COUNTY, IOWA
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2006

There were no prior year findings or questioned costs.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors
Sioux County, Iowa:

Compliance:

We have audited the compliance of SIOUX COUNTY, IOWA with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Sioux County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sioux County, Iowa's management. Our responsibility is to express an opinion on Sioux County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sioux County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sioux County, Iowa's compliance with those requirements.

In our opinion, Sioux County, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance:

The management of Sioux County, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sioux County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, employees and citizens of Sioux County and other parties to whom Sioux County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than those specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 25, 2006



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors
Sioux County, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of SIOUX COUNTY, IOWA as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated October 25, 2006. We conducted our audit in accordance with U.S generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether Sioux County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Sioux County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the Board of Supervisors, employees and citizens of Sioux County and other parties to whom Sioux County may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux County during the course of our audit. Should you have any questions concerning any of the above matters we would be pleased to discuss them with you at your convenience.

William & Langley, P.C.
Certified Public Accountants

Le Mars, Iowa
October 25, 2006